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UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

February 16, 2010

All Counsel Under Administrative Protective Order

Re: *Certain Cast Steel Railway Wheels, Certain Processes for Manufacturing or Relating to Same and Certain Products Containing Same*, Inv. No. 337-TA-655. Redaction of Confidential Information from Commission Opinion

CONFIDENTIAL

Dear Counsel:

The confidential version of the Commission's Opinion issued today in this investigation. Please review the opinion for confidential information and return a copy, with the confidential information bracketed, to me by March 5, 2010, so that I can prepare a public version of the opinion. The bracketed copy may be mailed or delivered to me in room 707-Q of the Commission. It should not be filed with the Secretary's Office. If you need more time, please let me know.

Thank you for your cooperation.

Sincerely,

Panyin A. Hughes

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

IN THE MATTER OF	
CERTAIN CAST STEEL RAILWAY WHEELS, PROCESSES FOR MANUFACTURING OR RELATING TO SAME AND CERTAIN PRODUCTS CONTAINING SAME	INV. NO. 337-TA-655

COMMISSION OPINION

The Commission has determined that Respondents have violated section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain cast steel railway wheels or products containing same by reason of trade secret misappropriation. 74 *Fed. Reg.* 68282-83 (Dec. 23, 2009). The Commission issues herewith, a limited exclusion order lasting a period of ten (10) years as well as cease and desist orders, lasting the same period. The limited exclusion order prohibits the entry of cast steel railway wheels and products containing same, manufactured using any of the asserted ABC Trade Secrets, by or on behalf of, or imported by or on behalf of, Respondents, or any of their affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, for consumption in the United States. The cease and desist orders prohibit Respondents from importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), soliciting U.S. agents or distributors, or aiding or abetting other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of cast steel railway wheels and products containing the same manufactured using any of the asserted ABC Trade Secrets.

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BACKGROUND

The Commission instituted this investigation on September 16, 2008, based on a complaint filed on August 14, 2008, by Amsted Industries Incorporated of Chicago, Illinois ("Amsted"). 73 *Fed. Reg.* 53441-42 (Sept. 16, 2008). The complaint alleged violations of section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain cast steel railway wheels and certain products containing same by reason of misappropriation of trade secrets, the threat or effect of which is to substantially injure an industry in the United States. The complaint named four respondents: Tianrui Group Company Limited of China; Tianrui Group Foundry Company Limited of China (collectively "Tianrui"); Standard Car Truck Company, Inc. of Park Ridge, Illinois ("SCT"); and Barber Tianrui Railway Supply, LLC of Park Ridge, Illinois ("Barber").

On October 16, 2009, the Administrative Law Judge ("ALJ") Charneski issued his final initial determination ("ID") finding a violation of section 337 by respondents. He found that Amsted owns the asserted ABC Trade Secrets, and that Respondents misappropriated the trade secrets via disclosure by former employees of Amsted's predecessors, the threat or effect of which is to destroy or substantially injure an industry in the United States.

On October 29, 2009, the ALJ issued his recommended determination ("RD") on remedy and bonding. The ALJ recommended that the Commission issue a limited exclusion order as well as cease and desist orders directed to Respondents found in violation of section 337. He further recommended that the Commission set a bond of five percent of entered value for accused products imported during the period of Presidential review.

On October 30, 2009, SCT and Barber ("SCT-Barber") filed a joint petition for review of the final ID. Tianrui filed a petition for review on November 2, 2009, and Amsted filed a contingent petition for review that same day. Amsted filed responses to SCT-Barber's and Tianrui's petitions on November 9 and 10, respectively, and SCT-Barber and Tianrui filed responses to Amsted's petition on November 10. The Commission investigative attorneys ("IAs") filed responses to the various petitions for review on November 10. The IAs did not petition for review of the ID.

On December 17, 2009, the Commission determined not to review the ID and requested briefing on remedy, the public interest, and bonding. 74 *Fed. Reg.* 68282-83 (Dec. 23, 2009). On December 29, 2009, the parties submitted written submissions on the issues for which the Commission requested briefing. *See* Office of Unfair Import Investigations's Initial Written Submission on Remedy, Bonding and the Public Interest; Complainant Amsted's Brief on Remedy, the Public Interest and Bonding ("Amsted Br"); Respondents Tianrui's Submission on the Issues of Remedy, Public Interest and Bonding ("Resp Br"). Respondents SCT-Barber filed a short submission joining in Tianrui's submission. *See* Respondents SCT-Barber's Submission on the Issues of Remedy, Public Interest and Bonding. On January 6, 2010, the parties submitted replies to the written submissions. *See* Office of Unfair Import Investigations's Consolidated Reply to Complainant's and Respondents' Written Submission on Remedy, Bonding, and the Public Interest; Complainant Amsted's Response to Respondents' Submissions on the Issues of Remedy, Public Interest and Bonding; Respondents Tianrui's Reply Submission on the Issues of Remedy, Public Interest and Bonding; Respondents SCT-Barber's Reply Submission on the

Issues of Remedy, the Public Interest and Bonding.

DISCUSSION

For the reasons discussed below, the Commission finds that the appropriate remedy is a limited exclusion order lasting a period of ten (10) years as well as cease and desist orders, lasting the same period, directed to Respondents. The Commission also finds that the public interest factors set out in section 337(d) and (f) do not preclude issuance of the limited exclusion order or cease and desist orders. The Commission further determines that a five percent bond of entered value is required to permit temporary importation, during the period of Presidential review, of cast steel railway wheels and products containing same manufactured using any of the asserted ABC Trade Secrets.

I. REMEDY

Where a violation of section 337 has been found, the Commission must consider the issues of remedy, the public interest, and bonding. The Commission has "broad discretion in selecting the form, scope, and extent of the remedy." *Viscofan, S.A. v. U.S. Int'l Trade Comm'n*, 787 F.2d 544, 548 (Fed. Cir. 1986). The Commission may issue an exclusion order excluding the goods of the person(s) found in violation (a limited exclusion order) or, if certain criteria are met, against all infringing goods regardless of the source (a general exclusion order). The Commission also has authority to issue cease and desist orders in addition to or in lieu of exclusion orders. *See* 19 U.S.C. § 1337(f). The Commission generally issues cease and desist orders to respondents who maintain commercially significant inventories of infringing products in the United States. *See, e.g., Certain Laser Bar Code Scanners and Scan Engines, Components*

Thereof, and Products Containing Same, Inv. No. 337-TA-551, Comm'n Opinion at 22 (June 14, 2007).

The Commission finds that the appropriate remedy includes a limited exclusion order lasting a period of ten (10) years, prohibiting the entry of infringing cast steel railway wheels and products containing same, manufactured using any of the asserted ABC Trade Secrets by or on behalf of, or imported by or on behalf of, Respondents, or any of their affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, for consumption in the United States. The appropriate remedy also includes cease and desist orders, lasting the same period, prohibiting Respondents from importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), soliciting U.S. agents or distributors, or aiding or abetting other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of cast steel railway wheels and products containing the same manufactured using any of the asserted ABC Trade Secrets.

Contrary to Amsted's assertion, we determine that the ALJ did not err in his finding that pursuant to his ground rules Amsted waived its right to request a general exclusion order. *See* RD at 6. The ALJ's ground rules provide in relevant part that "[a]ny contentions not set forth in detail as required herein shall be deemed abandoned or withdrawn, except for contentions of which a party is not aware and could not be aware in the exercise of reasonable diligence at the time of filing the prehearing statement." Order No. 2. Amsted relies on general statements it made in its Complaint and other filings stating that it sought to exclude all products found to incorporate its misappropriated trade secrets as meeting the ALJ's ground rules. Amsted Br at

15-16. The ALJ disagreed and found that the statements Amsted points to are ambiguous and do not set forth in detail that Amsted seeks a general exclusion order. RD at 6. We agree with the ALJ that the statements Amsted relies on are general statements referencing remedies pursuant to section 337(d). The statements do not set forth in detail that Amsted seeks a general exclusion order as required by the ground rules.

In addition, we share the ALJ's view that in any event, Amsted failed to present enough evidence to sustain issuance of a general exclusion order. RD at 6. Amsted insists that a general exclusion order is necessary to prevent circumvention of a limited exclusion order directed to products of Respondents.[1] Amsted Br at 8-9. However, the evidence Amsted presents is only its belief that Respondents will circumvent the exclusion order by shipping wheels to customers outside the United States for mounting onto undercarriages or railcars and imported into the United States, and its assertion that one of Respondents' customers has already done so. Amsted Br at 9. This evidence is not enough. As the ALJ found, the record evidence fails to show that any of the respondents would circumvent a limited exclusion order by shipping wheels to a third party to disguise their origin upon entry into the United States. RD at 6. Nevertheless, the limited exclusion order we are issuing is designed to prevent circumvention by certain third

[1] The Commission's authority to order exclusion of articles from the United States is restricted to a limited exclusion order unless "(A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing goods." *Id.* at 5 (citing *Certain Ground Fault Circuit Interrupters and Products Containing Same*, Inv. No. 337-TA-615, Comm'n Opinion at 24 (Mar. 26, 2009)); 19 U.S.C. § 337(d)(2). Amsted did not present any evidence to satisfy the second prong of the test and appears to rely on the first prong of the test to meet its burden. *See* RD at 6 n.4.

parties. Specifically, the limited exclusion order prohibits affiliate companies and companies related to Respondents from engaging in conduct that Respondents are prohibited from engaging in. In including "affiliates and related companies in the limited exclusion order," the Commission has "eliminated one avenue by which the prohibition contained in this exclusion order [limited exclusion order] could be circumvented: employing a third party or an affiliate, which did not participate in the investigation, to import and sell the infringing merchandise in the U.S." *See Certain Headboxes and Paper Making Machine Forming Sections for the Continuous Production of Paper and Components Thereof*, Inv. No. 337-TA-82, USITC Pub. 1197 (Nov. 1981) at 10. Thus, we believe that the limited exclusion order will adequately protect Amsted's interest.[2]

The Commission has based the duration of limited exclusion orders in trade secrets investigations on a "reasonable research and development period," or an "independent development time" for the trade secrets at issue. *See Certain Apparatus for the Continuous Production of Copper Rod*, Inv. No. 337-TA-52, Comm'n Op. at 67 (Nov. 1979); *Certain Processes for the Manufacture of Skinless Sausage Casings and Resulting Product*, Inv. No. 337-TA-148/169, Comm'n Decision Not to Review Initial Determination Finding Violation ("*Sausage Casings*") at 19 (Dec. 1984)).

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[2] We note that if Amsted was seriously concerned about Respondents circumventing a limited exclusion order by shipping wheels to customers outside the United States for mounting onto undercarriages or railcars and importing them into the United States it should have included those customers as respondents in the investigation, particularly since Amsted identifies only three such customers: [

]. Amsted Br at 9-10.

Respondents take issue with the RD's recommendation to issue one exclusion order covering all the 128 trade secrets and argue that the "Commission's longstanding practice, when crafting remedies to address the misappropriation of trade secrets, is to issue trade secret-specific exclusion orders of limited duration." Resp Br at 2-3. Respondents mis-describe the Commission's practice. In investigations where trade secret misappropriation has been found, the Commission has not required a determination of the length of time it would take to develop each misappropriated trade secret in order to ascertain the appropriate length of an exclusion order. For example, in *Sausage Casings* the Commission stated that "trade secret aspects are not independent of the non-trade secret aspects of the technology involved. Therefore, we have determined to consider a single independent development time for the six trade secrets found by the ALJ to have been misappropriated." *Sausage Casings* at 18-19. The Federal Circuit affirmed the Commission's determination and explained that:

> In setting the length of the order at 10 years, the Commission correctly recognized that "the duration of relief in a case of misappropriation of trade secrets should be the period of time it would have taken respondents independently to develop the technology using lawful means." The Commission concluded that in the circumstances of this case the basis for determining the development time was the time it would have taken Viscofan to create the manufacturing processes involving the misappropriated trade secrets and not, as Viscofan urged, the time it would have required Viscofan to discover each particular trade secret independently and without regard to the total process.

Viscofan, 787 F.2d at 549. Respondents misappropriated all of the asserted 128 trade secrets. Thus, the 10-year duration of the exclusion order is appropriately based a single independent development time for all 128 trade secrets.

Respondents also argue that the 10-year duration is too long and that the record evidence shows that it would take them only a year to independently develop the trade secrets. Resp Br at 2-3, 11. Respondents, however, rely on the supposed expertise of Tianrui's employee, Mr. Liu Guanfu, in manufacturing cast steel railway wheels to support their position. *See id.* at 10-12. Although Mr. Liu is now employed by Tianrui, we note that he is also one of the key former DACC [Amsted's predecessor in interest] employees whose hiring by Tianrui contributed to the trade secret misappropriation that led to the complaint filed by Amsted in this investigation. Our reasoning in *Sausage Casings*, adopted by the Federal Circuit remains instructive:

> To now conclude that Viscofan could have developed alternative technology for the misappropriated trade secrets in a relatively short time would be to give it the benefit of having had the misappropriated trade secrets for a period of years as a basis from which to work. We believe that this would be a wholly inequitable result.

Viscofan, at 549. The record evidence shows that it would take 10 years to independently develop the asserted misappropriated trade secrets in this investigation. Coughlin Tr. 203-04; Kleeschulte Tr. 439-446, 470, 563-64, 589; Wories Tr. 73-74. Accordingly, we issue the limited exclusion order to last a period of 10 years.

With respect to cease and desist orders, the record evidence shows that Respondents maintain commercially significant inventories of the wheels in the United States.[3] *See* CX-

[3] We share the ALJ's view that "[t]he issuance of cease and desist orders against foreign respondents is particularly important in this investigation, where one of the domestic respondents Barber, is a joint venture set up by a foreign respondent TianRui, and a domestic respondent, SCT, for the purpose of selling the accused cast steel railway wheels." RD at 11 (observing that "[t]he fact that a respondent is a foreign entity does not necessarily prevent a cease and desist order from issuing against it. The Commission has personal jurisdiction over all respondents in

1099C; JX-3C (Pak Dep. Tr.) at 465, 544, 547-48, 550-51; CX-2205C.1; CX-2206.4; CX-2209C.1; CX-2217C.1; CX-1099C; CX-2620C; CX-2621C. Accordingly, we issue cease and desist orders of 10-year duration directed to each of the respondents.[4] [5]

II. THE PUBLIC INTEREST

Section 337(d) and (f) of the Tariff Act of 1930, as amended, directs the Commission to consider certain public interest factors before issuing a remedy. These public interest factors include the effect of any remedial order on the "public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers." 19 U.S.C. §§ 1337(d), (f). We note that generally, the public interest favors the protection of U.S. intellectual property rights by excluding infringing imports. *See Certain Ink Jet Print Cartridges and Components Thereof*, Inv. No. 337-TA-446, Comm'n Opinion, USITC Pub. No. 3549 (Oct. 2002) at 14; *Certain Two-Handle Centerset*

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this investigation." *Id.* at 11 n.11(citing ID at 11-12; *Certain Abrasive Products Made Using a Process for Powder Performs, and Products Containing Same*, Inv. No. 337-TA-449, Comm's Notice (May 15, 2002). 67 Fed. Reg. 34728 (May 15, 2002).).

[4] Amsted requests that the cease and desist orders should direct Respondents to return or otherwise purge themselves of documents containing, based on, or derived from the asserted ABC Trade Secrets. Amsted Br at 20-21. We decline to include such language in the cease and desist orders.

[5] Amsted asks the Commission to sanction Respondents, as part of its briefing on remedy, for litigation misconduct and extend the duration of the limited exclusion order by five years. Amsted Br at 41. We believe that Amsted's request is inappropriate. Commission rules require that an accused party must be timely given the opportunity to withdraw any allegedly false, frivolous, or misleading submission before a motion for sanctions may be filed. 19 C.F.R. § 210.4(d)(1)(i). Amsted failed to provide Respondents with such an opportunity. Moreover, a motion for sanctions must be separate from other motions or requests. *Id.* In any event, the ALJ determined that the issue of Respondents' litigation misconduct was moot and the Commission did not review the ALJ's determination in that regard. ID at 40.

Faucets and Escutcheons, and Components Thereof, Inv. No. 337-TA-422, Comm'n Op. at 9 (July 2000).

Respondents argue that the public interest will be harmed because Tianrui is a source of cast steel railway wheels that competes with Complainant's domestically produced cast steel railway wheel and that without such competition, Complainant will continue to exert a dominant position in the market. Resp Br at 27-32. We find that there has been no showing that excluding Respondents' products from the United States market would adversely impact competitive conditions in the United States. In particular, the record indicates that there are other types of railway wheels, such as forged wheels, that provide competition for cast steel railway wheels, and thus United States demand for steel railway wheels can be met by Amsted and its legitimate competitors. *See* Putnam, Tr. at 2158, 2176-77, 2199. Moreover, nothing prevents Respondents from competing with Amsted without using the misappropriated trade secrets. We note that while legitimate competition should be encouraged, the important public interest in protecting intellectual property rights will be served by a limited exclusion order and cease and desist orders directed to these Respondents who chose to unfairly compete in the United States market by misappropriating Amsted's trade secrets.

III. BOND

During the 60-day period of Presidential review, imported articles otherwise subject to remedial orders are entitled to conditional entry under bond. 19 U.S.C. § 1337(j)(3). The amount of the bond is specified by the Commission and must be an amount sufficient to protect the complainant from any injury. *Id.*; 19 C.F.R. § 210.50(a)(3). The Commission frequently sets the

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bond based upon a reasonable royalty. *Certain Microsphere Adhesives, Process For Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Opinion at 24, USITC Pub. No. 2949 (January 1996). When reliable price information is available, the Commission has often set the bond based on the difference in sales prices between the domestic product and the imported, infringing product. *Id.* In cases where the Commission does not have sufficient evidence upon which to base a determination of the appropriate amount of the bond, the Commission has set a 100 percent bond. *See Certain Sortation Systems, Parts Thereof, and Products Containing Same*, Inv. No. 337-TA-460, Comm'n Opinion at 21 (March 2003). However, Complainant bears the burden of establishing the need for a bond amount in the first place. *Certain Rubber Antidegradants, Components Thereof, and Prods. Containing Same*, Inv. No. 337-TA-533, Comm'n Op. at 39-40 (July 21, 2006).

The Commission sets a bond of five percent of the entered value of wheels manufactured by Respondents using any of the misappropriated trade secrets imported during the period of Presidential review. The record evidence includes a [ ] between Amsted's wheels and Respondents' wheels of [ ] as well as a [ ]. However, the evidence of [ ] is based on a license that Amsted has with a South African manufacturer [ ] and, thus, it is unclear whether that same [ ] would apply to [ ]. Putnam Tr. 2165-2167. In contrast, an internal email of a cast railway wheel customer of both Amsted and Respondents, [ ], shows that Respondents' per

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wheel price is [ ] than Amsted's per wheel price. CX-2221C ([ ] email); Putnam Tr. 2195-2196; JX-4C ([ ] Dep. Tr.) at 99-101. Where reliable [ ] information is available, the Commission's practice is to set a bond based on the [ ]. Accordingly, we set a bond of five percent of entered value for products manufactured by Respondents using any of the misappropriated trade secrets imported during the period of Presidential review.

CONCLUSION

For the reasons set forth above, the Commission determines that the appropriate remedy is a limited exclusion order lasting a period of ten (10) years, prohibiting the entry of cast steel railway wheels manufactured by Respondents using any of the misappropriated trade secrets for consumption in the United States as well as cease and desist orders, lasting the same period. The Commission finds that the public interest factors set out in section 337(d) and (f) do not preclude issuance of a limited exclusion order or cease and desist orders. The Commission sets a bond of five percent of entered value for wheels manufactured by Respondents using any of the misappropriated trade secrets imported during the period of Presidential review.

By order of the Commission.

Marilyn R. Abbott
Secretary to the Commission

Issued: March 19, 2010

CERTAIN CAST STEEL RAILWAY WHEELS, CERTAIN PROCESSES FOR MANUFACTURING OR RELATING TO SAME AND CERTAIN PRODUCTS CONTAINING SAME **337-TA-655**

CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached **COMMISSION OPINION** has been served by hand upon the Commission Investigative Attorney, Jeffrey T. Hsu, Esq., and the following parties as indicated, on MAR 19 2010.

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